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C O N F I D E N T I A L SECTION 01 OF 03 AMMAN 008170

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SUBJECT: TREASURY ACTING A/S GLASER DISCUSSES TERRORIST
FINANCING WITH JORDANIAN OFFICIALS

REF: AMMAN 7547

Classified By: Charge d'affaires David Hale for reasons 1.4 (b), (d), and (e).

1. (C) SUMMARY: Treasury Acting A/S Daniel Glaser met with Finance Ministry and Central Bank of Jordan officials to discuss terrorism finance issues, including the status of the Anti-Money Laundering (AML) law and Arab Bank's follow-up to U.S. regulatory actions against it. He also explored Jordan's handling of charities, informal remittance providers, and the regulatory environment for cash couriers. Glaser found that improvements can be made in each of these areas, even prior to passage of the AML law. Glaser toured the Central Bank's provisional Financial Intelligence Unit (FIU), and reviewed post's support in helping Jordan bring its FIU up to international standards. Glaser also met with two local banks to review their "know-your-client" procedures and use of name-checks, including the list maintained by the Office of Foreign Assets Controls. END SUMMARY.

THE CENTRAL BANK OF JORDAN

2. (C) Treasury Acting A/S for Terrorism Financing and Financial Crimes Glaser visited Jordan September 28-29, accompanied by Policy Advisor Levenson. In his meeting with Central Bank of Jordan (CBJ) Deputy Governor Mohammad Shahin, Glaser emphasized the importance of a reporting system (either disclosure or declaration) for cash flows handled by couriers both in-bound and out-bound, noting that such a recommendation had been adopted at the MENA/FATF meeting held earlier in the week in Beirut. (Currently, Jordan only has an in-bound reporting requirement). Glaser refuted the claim that a reporting system could be interpreted as a capital control; such a system would not in fact constitute a capital control, but would bring transparency to Jordan's cross-border cash flow by documenting amounts above a certain threshold.

3. (C) Shahin reiterated that as long as cash transfers follow proper procedures, there are no controls. He noted that the region is comprised largely of cash-based economies, and said that using cash was a common practice for travelers in the region, particularly those coming from Iraq. Glaser told Shahin that Treasury is working with the Iraqi government on improving check-clearing and electronic banking systems in Iraq, a move that could help reduce reliance on cash.

4. (C) On the draft Anti-Money Laundering law, Shahin reported that it was being considered in Parliament and that the CBJ has been urging passage. Jordan already completed an IMF Financial Sector Assessment Program (FSAP) in 2004, and that program had an AML component. Shahin added that Jordan's FIU would need a statutory basis if Jordan were to be accepted as a member of the Egmont Group, the international body promoting cooperation among between FIUs.

5. (C) On Arab Bank (AB) - whose New York branch was fined in August for not implementing anti-money laundering/counter-terrorist financing (AML/CFT) procedures through its wire transfer facility - Glaser noted that AB's recent press release in response to the fine seemed out of step with the bank's private comments. Glaser said he had understood that AB was committed to implementing an AML/CFT "gold standard" in its banking operations. Shahin responded that AB feels it is being targeted because of its work in the Palestinian Territories, though he personally did not agree with that assertion. As AB's regulator, the CBJ also wants the bank to implement proper procedures, and continues to impress that upon AB. Despite the press release, the CBJ is confident that AB will have all necessary procedures in place in October. Shahin also said AB is committed to a global compliance program to ensure its procedures were up to world standards.

6. (C) Glaser noted that Jordanian banks have helped the banking system in the Palestinian territories function, and that the Palestinian Monetary Authority (PMA) had been working with the CBJ. Shahin said the CBJ needs to sign an MOU with the PMA before the CBJ can help in regulating Jordanian bank branches in the Palestinian territories, and

that it cannot physically do so due to the security situation there. Glaser said it was important that bank branches in Gaza and the West Bank be effectively supervised for AML/CFT, and urged the CBJ to work closely with the PMA. Shahin agreed, adding that the CBJ hopes to establish MOUs with every country in which Jordanian bank branches are located, adding that Syrian banking officials had come to Jordan to learn Jordan's systems.

17. (C) Glaser asked if Shahin was aware of Jordanian banks encountering difficulty in their U.S. correspondent banking relationships; Shahin answered that he was not.

18. (C) Finally, Glaser mentioned that Jordan's assumption of the MENA/FATF vice-presidency was imminent, and that it was an opportunity for Jordan to show real leadership in the region. (NOTE: Post subsequently learned that CBJ Deputy Governor Faris Sharaf will represent Jordan in that position. END NOTE.)

THE FINANCE MINISTRY

19. (C) In his meeting with Finance Secretary General Hamad Khasasbeh, Glaser asked about the prevalence in Jordan of alternate remittance systems such as hawalas. Khasasbeh noted that it was hard to calculate their impact on the economy. Glaser said Treasury faced the same problem in the U.S., but added that the USG requires money service providers to register. Khasasbeh said there was no such requirement in Jordan, and opined that the "errors and omissions" figure in Jordan's balance of payments calculation should include informal remittances. Glaser emphasized that Treasury was not advocating the elimination of alternate remittance systems - only highlighting the fact that such systems were not transparent and thus subject to abuse.

PROVISIONAL FIU

10. (C) Glaser toured Jordan's provisional FIU which though functioning, has not yet been mandated by an AML law. Two of the officers in the FIU - who had just returned from a USAID-sponsored study tour to visit the Financial Crimes Enforcement Network (FINCEN) outside Washington - told Glaser the CBJ is working with Embassy Amman's USAID mission to buy FINCEN software for use in Jordan's FIU. Meanwhile, the CBJ is working with the World Bank in drafting the FIU regulations.

11. (SBU) NOTE: In a later meeting with USAID, Post agreed with Glaser to explore sending CBJ officials to Beirut to examine the FIU there. In addition, AID is already working with the CBJ on automation of its forms, including Suspicious Activity Reports, the key document for tracking money laundering and terrorist financing flows. AID is also helping carry out a security assessment of the network linking the CBJ with Jordanian banks, and upgrading it as needed. Glaser agreed to talk to the head of Lebanon's FIU on how it could help the CBJ with developing a comprehensive scope of work. Glaser added that Lebanon had agreed to sponsor Jordan's membership in the Egmont group, and considered Lebanese-Jordanian cooperation in this area is a logical step. Glaser also received interest from the Egyptian FIU during his subsequent stop in Cairo in providing Jordan technical advice. END NOTE.)

12. (SBU) CBJ officials sketched out for Glaser the terrorist finance freezing mechanism in Jordan as follows: The CBJ receives the list of UN designated terrorists from the Ministry of Foreign Affairs via the U.S. Embassy, after which it issues an order to the banks to freeze any accounts under those names. They reported that Jordan has frozen no assets pursuant to UN 1267 to date.

CHARITIES

13. (C) In Acting A/S Glaser's meeting with Minister of Social Development Abdullah Oweidat (whose ministry regulates charities), the Minister said that charities in Jordan must submit their budgets annually, inform the ministry of the areas in which they intend to work, and submit quarterly activity reports to the ministry. Oweidat asserted that the Ministry set the priorities for the work of charities in the country. Oweidat added that he is establishing a unit under his office to oversee charities, and emphasized the GoJ's commitment to combating terrorism.

14. (C) Oweidat reported there are 1,000 Jordanian charities, but that all of them work solely in Jordan and have no international operations. Oweidat's deputy said all fund-raising campaigns by charities in Jordan must be

approved by the Ministry, in consultation with the Ministry of Interior and the security services. All money raised by a charity must be spent within Jordan. Each governorate has a Ministry representative to supervise the charities there. The only exception to the rule of domestic-only charity work was the official Jordan Hashemite Charity Organization, the King's charity which directed funds and other assistance to other countries affected by disasters. Such funds were strictly controlled by the government.

PRIVATE BANKS

15. (C) Directors of two local banks (the Export and Finance Bank, and Union Bank) told Glaser they had either a compliance department or an officer with AML responsibilities, as well as training programs on AML. Glaser stressed the importance of carefully following "know-your-client" guidelines, as well as using the list of names maintained by the Office of Foreign Assets Controls (OFAC). Most commercially available software should include the OFAC list, in addition to other watch lists. Glaser emphasized that these are tools banks should consider using in an effort to manage their overall risk portfolios. One of the bank heads suggested to Glaser that he should tell the CBJ to require banks to upload the OFAC list.

16. (C) Union Bank's director told Glaser that alternate remittance systems were most common in foreign worker communities in Jordan, such as those from Egypt, the Philippines and Sri Lanka. These workers use the systems because of lower costs, and due to their familiarity in dealing in cash. Glaser cautioned that these systems can also be used by terrorists, while emphasizing that the USG does not want to impinge on the ability of people to carry out legitimate transfers of remittances through these systems. For that reason, the registration of alternative remittance systems brings transparency to the sector.

CUSTOMS

17. (C) Customs Director General Ala Al-Bataineh told Glaser that his focus on cash moving across Jordan's borders was specifically geared to whether or not the bills were counterfeit. He cited an incident in which a person carrying \$1 million was recently let go without any documentation once the cash was determined to be genuine. Bataineh recognized that the in-bound reporting requirement was ineffective without associated penalties, and believed that imposing a penalty for not declaring cash would require legislation. (NOTE: Post will explore this option. END NOTE.) Bataineh agreed that attention should be given to outbound reporting requirements as well. Glaser recommended that Customs liaise with the U.S. Bureau of Immigration and Customs Enforcement to tap its expertise in detecting money Laundering, as well as with the Rome office of the Secret Service on counterfeit identification issues.

PLANNING

18. (C) Planning Minister Suhair Al-Ali (former head of Citibank in Jordan) assured Glaser that, "the political will to pass the AML law is there" within the government. She said she is a strong supporter of passage, highlighting its importance for attracting foreign investment. Al-Ali said the issue of in-bound cash declaration requirements needed to be addressed by the GoJ; Glaser mentioned that Jordan had agreed to a regime for declaring cash at the recent MENA/FATF meeting, noting, that the Director General of Customs had told him there was no penalty for failure to declare.

19. (U) Acting A/S Glaser cleared this message.

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